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## Philippines

### Grain and Feed

### Wheat and Corn PSD Update

**2004**

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**Report Highlights:**

Wheat consumption will contract while corn demand will increase in MY04/05 because of high wheat prices and a slowdown in feed demand. Imports of wheat and corn are expected to decline through MY04/05 because of record-level local corn production in CY2004.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Manila [RP1]  
[RP]

Philippine corn production is expected to reach record level in CY 2004 due to increased use of good quality corn seed and generally favorable growing weather conditions during the period. Higher yields and increased area planted are expected during the period, enhanced by higher-than-usual local corn prices. Around 28 percent of the country's total corn area used higher yielding seeds (hybrids and Bt corn) during the year, according to a local corn expert. Although the GRP is predicting the occurrence of another El Nino weather disturbance starting at the end of 2004, Post does not expect this to significantly affect MY04/05 corn production. Corn output in MY04/05 is expected to surpass its MY03/04 level.

Overall food grain consumption continued to grow in MY03/04 with both food corn and wheat flour consumption growing slightly. Recent and successive oil price hikes, however, have resulted in increased food prices which is expected to result in a slight contraction in overall food grain consumption the following year, MY04/05. While food corn consumption is likely to continue growing during the period, food wheat is expected to contract due to prevailing high wheat prices. More Filipinos are also likely to consume more rice to compensate.

Strong feed demand persisted in MY03/04 although there were some shifts in feed grain consumption patterns. Because of high wheat prices, feed millers used more local corn and less feed wheat.

Roughly a million ton of feed wheat is consumed annually by the Philippine feed consuming industries. Most feeds are consumed by the hogs sector, followed by the local poultry industry. The Philippine aquaculture sector comes third, but it has been expanding rapidly in recent years. While all three sectors have been growing recently, high feed grain prices, coupled with increasing food prices due to rising inflation, are likely to slow down feed consumption in MY04/05 compared to its previous year's level. GRP analysts have already raised year-on-year inflation targets and predicted a slowdown of the domestic economy for 2004.

For MY04/05, feed consumption is likely to contract from the previous year's level as feedmillers have reported a 20-25 percent drop in sales volume by the middle of 2004. Backyard hog raisers, which comprise around 75 percent of the domestic hog industry, are reportedly scaling production levels as feed prices have increased dramatically. As a result, feed wheat demand is expected to register negative growth while feed corn consumption is forecast to slow down from the MY03/04 level. The contraction in overall feed demand is reflected in the decline in both wheat and corn imports through MY04/05.

Grain import statistics in the table were based on World Trade Atlas (WTA) data. Both wheat and corn imports are expected to decline in the next two years due to good local corn (and rice) production. U.S. corn sales are expected to continue its decline the following MY04/05.

For wheat, the drop in feed wheat demand in MY03/04 is expected to pull down overall wheat imports during the year. High prices during the year are also expected to pull down milling wheat imports, including those from the U.S. The following year, however, while overall wheat imports are expected to continue to decline, wheat imports from the U.S. are expected to recover and increase. U.S. wheat imports in MY04/05 are likely to displace Canadian wheat market share due to production quality problems.

Feed wheat imports, on the other hand, are likely to come from Ukraine, which reportedly offers competitive prices compared to traditional sources such as China and India. The latter two countries are traditional sources of the country's feed wheat import requirements.

<b>PSD Table</b>						
<b>Country</b>	<b>Philippines</b>					
<b>Commodity</b>	<b>Corn</b>				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		07/2002		07/2003		07/2004
Area Harvested	2375	2375	2485	2485	2550	2550
Beginning Stocks	352	352	234	262	179	305
Production	4430	4430	4845	4845	5000	5100
TOTAL Mkt. Yr. Imports	102	130	50	88	50	10
Oct-Sep Imports	68	170	50	86	50	10
Oct-Sep Import U.S.	11	11	0	2	0	1
TOTAL SUPPLY	4884	4912	5129	5195	5229	5415
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	3150	3150	3450	3375	3550	3570
TOTAL Dom. Consumption	4650	4650	4950	4890	5100	5105
Ending Stocks	234	262	179	305	129	310
TOTAL DISTRIBUTION	4884	4912	5129	5195	5229	5415

<b>PSD Table</b>						
<b>Country</b>	<b>Philippines</b>					
<b>Commodity</b>	<b>Wheat</b>				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		07/2002		07/2003		07/2004
Area Harvested	0	0	0	0	0	0
Beginning Stocks	350	350	442	450	482	400
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	3230	3000	3000	2900	3100	2725
Jul-Jun Imports	3230	3000	3000	2900	3100	2725
Jul-Jun Import U.S.	1489	1300	1213	1200	0	1350
TOTAL SUPPLY	3580	3350	3442	3350	3582	3125
TOTAL Mkt. Yr. Exports	8	0	10	0	10	0
Jul-Jun Exports	8	0	10	0	10	0
Feed Dom. Consumption	1250	1250	950	1275	1000	1100
TOTAL Dom. Consumption	3130	2900	2950	2950	3050	2725
Ending Stocks	442	450	482	400	522	400
TOTAL DISTRIBUTION	3580	3350	3442	3350	3582	3125